

**The Honorable Steve Chabot, Chairman
Subcommittee on the Middle East and South Asia**

“Chronic Kleptocracy: Corruption within the Palestinian Political Establishment”

July 10, 2012

Since taking office, President Obama has repeatedly emphasized his belief that a resolution of the Israeli-Palestinian conflict is one of America’s “core interests” in the Middle East. Throughout these three and a half years, aid to the Palestinian Authority to assist its state-building effort has consistently remained a central pillar of the Administration’s policy toward the Israeli-Palestinian conflict. For years, however, concerns have mounted about deep and widespread corruption within the Palestinian political establishment, including potential fraudulent use of U.S. financial assistance.

This hearing has been called to offer Members an opportunity to hear testimony on the extent of the corruption, who within the Palestinian political leadership can be trusted and who cannot, how the Palestinian political environment and the state-building effort are affected by corruption, and how the U.S. should respond. Reading the papers and listening to television news reports, however, one would have the sense that the only barrier to prosperity for Palestinians living in the West Bank and Gaza is Israeli intransigence. We are shown the plight of the Palestinians in Gaza, but instead of highlighting the ways that the Hamas terrorist leadership mismanages the local economy or gives Israel justifiable cause for concern, we are told that an Israeli blockade is to blame. Similarly, instead of calling attention to the omnipresent and insidious corruption within the PLO and Fatah leadership in the West Bank, we are told that Israeli settlements, many of which will surely not be a part of any future Palestinian state, are the true problem despite the fact that many of these locales employ Palestinian laborers.

I disagree. If the Arab Spring has taught us nothing else, it has shown us that we must be concerned not just with how governments interact with each other, but also with how they treat their own populations. For years our top priority vis-à-vis Egypt was the regional stability that Mubarak helped provide. And in exchange for his cooperation, we far too often turned a blind eye to the plight of average Egyptians. Similarly, our grossly exaggerated emphasis on a final resolution to the Arab-Israeli conflict warped our policy toward countries like Syria. Instead of going after Syria for malign actions like ushering jihadis into Iraq, we allowed our policy to be hostage to the ill-conceived notion that Syrian cooperation in the peace process—no matter how slight—might just break decades of stalemate. Instead of doing everything possible to promote good governance within Palestinian political parties and institutions, we propped up whoever would go through the negotiating motions, even if time and again he proved unwilling or unable to make peace. We expended all of our influence getting these countries to the negotiating table and, in exchange for their real or imaginary cooperation, we looked the other way on issues like corruption and bad governance that have proved far more consequential.

No longer. As our witnesses will testify to today, the corruption within the Palestinian political establishment has been endemic for decades. Reports suggest that Palestinian President Mahmoud Abbas, like his predecessor Yasser Arafat, has used his position of power to line his own pockets as well as those of his cohort of cronies, including his sons, Yasser and Tareq. The Palestinian Investment Fund, for example, was intended to serve the interests of the Palestinian population and was supposed to be transparent, accountable, and independent of the Palestinian political leadership. Instead it is surrounded by allegations of favoritism and fraud. President Abbas is reported to have asserted complete control over the fund, filled its board with his own allies, and has rejected all attempts to audit its operations. Even more disturbingly, Yasser and Tareq Abbas—who have amassed a great deal of wealth and economic power—have enriched themselves with U.S. taxpayer money. They have allegedly received hundreds of thousands of dollars in USAID contracts. This is not to say that they do not have a legitimate right to compete for these contracts. But it does raise questions as to whether they received preferential treatment of any kind as well as if and to what extent they are involved in corrupt practices within their own government.

In addition to strengthening malign actors, this corruption short-circuits any progress that sincere figures like Prime Minister Salam Fayyad have been able to achieve. A lack of accountability and transparency undermines the trust of the Palestinian people in their political institutions and renders them ineffective. How can democratic institutions be established or the economic wellbeing of the Palestinian people be advanced if their own leadership is raiding the common coffers? And if one of these leaders—against all empirical evidence—were to be willing to make peace with Israel, which will surely require unpopular even if necessary concessions, how can we expect the Palestinian people to respect an agreement negotiated by a hollow leader, devoid of legitimacy among his own people?

The endemic corruption within the Palestinian political establishment must not go ignored any longer. Questions must be asked and answers must be demanded, including about our own assistance programs. Our objective cannot and must not be to strengthen whoever recites the same prescribed lines about negotiations. Rather, our policy must aim to empower those leaders who genuinely seek to establish the transparent and accountable institutions of government that will be necessary for any future Palestinian state to be viable and able to live side by side with Israel in peace, security, and prosperity. Our policy must aim to empower those who seek to serve the Palestinian people instead of themselves. Peace with Israel is objectively in the interest of the Palestinian people. But only a leader who is willing to put the wellbeing of the Palestinian people ahead of his or her own pocketbook will be willing or able to make the requisite sacrifices. I fear much of the current Palestinian leadership is not up to the task.